

# **Developing a Measure of Living Standards for Elders in New Zealand**

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As society or population ageing is a critical demographic change, it is imperative that we increase our understanding of the economic living standards of older people. Deteriorating standards of living will have a profound effect on older people's ability to age positively and to participate in their communities. The development of a sound measure of living standards that is valid for use with the older population, which discriminates across the whole range of living standards, and reveals important relationships with health and wellbeing outcomes, will contribute to more effective research and information for policy and intervention with the ageing population. The aim of this paper is to develop a theoretical basis for the measurement of economic living standards through a review of the existing literature on living standards theory and measurement. This theoretical background will be used as the basis of a measure of living standards for elders in New Zealand. This project will develop understandings of economic living standards for older people in terms of their needs, aspirations, opportunities for participation in society, and contributions to wellbeing. The measure developed in this project will equip researchers, policy makers, and community groups with a tool to assess gaps and recommend social and economic policies that ensure positive ageing and participation for older New Zealanders.

## **Developing a Measure of Living Standards for Elders in New Zealand**

New Zealand's population is ageing. It is projected that by 2026, people aged 65 and over will make up approximately 20% of the population (Statistics NZ, 2004). The ageing of the population has implications for the provision of health and social services over the next decades. By international standards, New Zealand has one of the lowest rates of income poverty among older people (OECD, 2008) due to the provision of universal superannuation to those aged over 65 years. Universal superannuation currently lifts most older New Zealanders out of poverty (Waldegrave & Cameron, 2009). However, the measurement of income alone does not reflect all material circumstances, and a minority of elders in New Zealand report hardship (Alpass, 2008; Jensen et al., 2006; Perry, 2009). Evidence shows that the socioeconomic inequalities of working life and their impacts on health are carried into early old age (Jatrana & Blakely, 2008; Stephens et al., 2008) and may increase with age (Chandola et al., 2007). Māori are over-represented among those in hardship (Perry, 2009), and older Māori and Pacific people are more likely to be in the highest category of deprivation (Fergusson et al., 2001; Salmond et al., 2006). In addition, there are indications that the proportion of older people in hardship is likely to increase in the future. Patterns of asset accumulation and employment that have provided good living standards for the current cohort of older people in New Zealand are changing (Ministry of Social Development, 2003; Waldegrave & Cameron, 2009). In particular, decreasing rates of home ownership and increasing rates of unemployment during working life will influence living standards for future cohorts of elders (Waldegrave & Cameron, 2009). Expectations that older people will make their own provision for retirement income through employment based superannuation contributions may also increase inequalities in the future as those in insecure and low

paid employment will receive less income in retirement. This may result in greater numbers of older people living in poverty in New Zealand in the future (Waldegrave & Cameron, 2009).

Living standards can be understood in many ways; through the goods and services people are able to consume (either publicly funded or privately supplied), participation in customary social activities, the economic resources they have access to, their income expenditure and wealth, as well as through direct measures of economic and material living standards (Bradshaw and Finch, 2003; Saunders et al., 2008; Statistics New Zealand, 2009). Considerable literature has contributed to the definition of living standards (Perry, 2002; Salmond et al., 2006; Sen, 1987). For the purpose of this paper we will draw attention to three aspects of our definition of living standards. Firstly, economic living standards relate to those aspects of wellbeing which can be influenced by command over resources (Sen, 1987). This includes physical, social, psychological, and environmental aspects that can be influenced by access to material resources understood broadly. Secondly, living standards are a way to locate an individual in a continuum of varying material possibilities (Salmond et al, 2006). This means that economic living standards do not include assessment of behaviour or attitudes which might contribute to understanding the pattern of intergenerational transmission of disadvantage. Although these aspects might contribute to our understandings of socioeconomic stratification, they are separate from the material conditions individuals can experience. Thirdly, living standards are the possibilities available to the individual due to the resources they have available. Living standards reflect what can be achieved with the consumption and resource allocation rather than assessing the inputs available.

## **Measuring Living Standards**

Living standards have been measured in a variety of ways. Non monetary indicators of living standards focus on people's living conditions rather than the income they have access to (Perry, 2009). For example, measures of consensual deprivation identify items regarded as essential, identify people who do not have these items, identify those who cannot afford these items and attribute those in last category as deprived (Saunders et al., 2008). Consensual measures of deprivation are objective and direct measures as they identify those who lack those items and practices required to avoid poverty. Global ratings of living standards are subjective and direct measures of living standards, where individuals are asked to report their satisfaction with their overall living standards. Subjective relative deprivation assesses the extent to which people feel relatively deprived, and this depends upon their reference group (Halleröd, 2006).

Consensual measures of living standards require widespread consensus regarding those consumer goods, social activities, and luxuries people aspire to. However, McKay (2004) argues that there is limited consensus in those things that people understand to be necessities and those they understand to be nice to have, but not required. Attempts to address the bias of preferences in assessing relative deprivation has introduced the notion of whether the lack is an enforced lack (the person cannot afford and item or service) versus a preference for alternative items of consumption. Consensual measures of deprivation or living standards are based on the understanding that access to economic resources is unrelated to preferences (Halleröd, 2006). However, evidence suggests that people adapt their preferences to match their

economic conditions, and that there is a connection between “economic circumstances, choice of reference group and consumption preferences” (Halleröd, 2006, p.371). Sen (1987) also argues that it is important to take into account entrenched deprivation, which conditions our desires to what can be achieved. If people are accustomed to deprivation, they may condition their preferences.

### *Describing ELSI*

In New Zealand, the Ministry of Social Development has supported the development and use of the Economic Living Standards Index (ELSI) as a non-monetary indicator of living standards in the general population (Jensen, Spittal, & Krishnan, 2005). The ELSI attempts to move beyond measures of deprivation and assess living standards across the whole spectrum (Perry, 2009). The ELSI contains items covering ownership of consumer goods, social participation, economising, and global self ratings of living standards. The consumption items are those items owned in relation to those items desired from a set of both basic and non-basic items. The ELSI has proved useful in discriminating between those in hardship or poverty and others. Although the ELSI does discriminate well at the lower range of scores, the items poorly discriminate those with ‘good’ living standards from those with ‘very good’ living standards (Perry, 2009). This is not unique to this measure, as it is the case with other measures of household resources (Grundy & Holt, 2001).

Although a measure of the whole spectrum of living standards, many of the items in the ELSI measure aspects of living standards that relate broadly to public health concerns. For example, there are items in the measure about healthy food, prescriptions, washing machines, warm housing. These items tap aspects related to

absolute deprivation such as inadequate food, health care, warmth and washing facilities. This contributes to the good face validity of the items as those items appear to be related to living standards. Similarly, the inclusion of social network restrictions (not being able to have family over to stay, buy presents) may be an equivalent form of social disadvantage akin to notions of physical lack common in the public health literature. As restricted social networks have significant impacts on poor health (Marmot, 2004), they are comparable to public health concerns. However, like material goods, there is not a minimum protective level of social integration; it follows a gradient (Marmot, 2004).

This approach to living standards is based upon an understanding of low living standards as a lack of things that produce health and the assumption that if we could provide these things (and lift people out of material poverty) that they would escape the effects of low living standards. However, deprivation in developed countries such as New Zealand is not about absolute lack or concerns with public health deficiencies, but about degrees of having and not having, degrees of choice and autonomy (Marmot, 2004). Living standard measures such as the ELSI assess the sort of lack that relates to hunger, warmth, and sanitation, not of the sort that relates to envy, inequality, or social status.

The development of the ELSI describes the desire to measure ownership restrictions in very general terms, for example, it is an indicator of high living standards to have most of the things one wants. However, the measure then asks about the ownership restrictions of certain specific items rather than assessing the extent of choices people have. These concerns are particularly important for those items which vary in

preference. For example, there are difficulties in producing a set of items that relate to living standards across the whole spectrum and are not subject to vast differences in preference; however, assessing capabilities overcomes the problem of preferences. There may be a greater agreement that it is important for people to have the resources to take part in the social life of the community, than in specifying what activities would serve this purpose (Sen, 1992). Emphasising the extent of choices rather than assessing outcomes overcomes this difficulty.

### *Living Standards of Older People*

Non-monetary indicators of living standards can prove problematic in the context of ageing research. The association between reported wealth and assessments of living standards among older people is not strong (Stephens et al., 2008). The living standards approach is particularly applicable to the situation of retired elders whose sources of support and living circumstances vary widely. To address disparities it is important to have a measure of living standards sensitive enough to assess both the range of living standards of older people and their change over time. Understandings of living standards are subject to changes in economic expectations in later life. Expectations that older people will make private provision for retirement income, societal beliefs that older people have earned a comfortable older age, and expectations of what this level of comfort may be, is likely to change over time and across generational cohorts.

Fergusson et al (2001) report a tendency for the self reported living standards of older people to increase with age. They propose several possible explanations, including disengagement influencing the extent of wants and needs in older age, a cohort effect



in that older groups have benefited from more favourable life circumstances than younger elders, and a survivorship effect, where only the better endowed survive to older ages. Berthoud, Blekesaune and Hancock (2006) also suggest that the relationship between income and material standard of living among older people represents both a cohort effect and a change in consumption, income, and standards of living as people grow older. It is likely too, that experiences of and expectations of living standards and income change as people age.

The use of consensual measures of deprivation are particularly troublesome for evaluating the living standards of older people. Firstly, the pattern of ownership of necessities and luxuries is different for different age populations, older people report few real needs that they can't afford, but also have few luxuries (Berthoud, Blekesaune & Hancock, 2006). In contrast to this, younger people report that there are many real needs they cannot afford, but have many luxuries. Even within their sample of those aged over 55 years, Groffen, Bosma, van den Akker, Kempen & van Eijk (2008) reported that those over 75 years were more likely to have fewer basic goods and fewer luxury goods than those aged 55-64 years. Older people are less likely to report that they own a range of consumer durables, and are less likely to report financial strain. This indicates that younger people are not as badly off as they suggest, but are trading real needs for luxuries. Secondly, older people assign more items as necessities than younger people (Smith & Hancock, 2004). Thirdly, older people differ in their willingness to attribute lack to an inability to afford items. Older people are less likely to say they could not afford items, and more likely to say they did not want them (Bradshaw & Finch, 2003; McKay, 2004). In particular, older people with limited economic resources are more likely to claim they do not want

items compared to younger low income earners (Halleröd, 2006). Older people were also more likely to describe goods as essential, but to say that lacking these goods was due to choice (Mckay, 2004).

The difference between lack and enforced lack is not large for the most basic items, but this gap increases for those items designed to discriminate further up the spectrum (Perry, 2009). The distinctions between categorisation lack by 'does not have' versus 'can't afford' has been shown to be highly sensitive to age of respondent. The tendency for participants to respond that they can't afford certain items decreases with age, while the tendency to report that they do not want these items increases with age (Halleröd, 2006). This indicates that the meaning of not being able to afford an item is tied to differences in age. In addition, older people tend not to want technological items such as computers and pay television that are used to discriminate at the higher end of living standards but generally reflect the aspirations of younger people (Halleröd, 2006).

Halleröd (2006) suggests that the age effect may be due to the adaptation of preferences over time, as older people are more likely to have adapted their preferences to more closely match their economic situation. To support this, Halleröd (2006) found that older people with limited economic resources score much higher on the do not want index than other low income earners. This shows that life experiences together with limited economic means produces an adaptation of preferences for older people, which in turn limits feelings of subjective deprivation in older people (Halleröd, 2006). This means that longer time in poverty also provides more opportunity for downward adaptation of preferences, and produces reduced subjective

deprivation in those experiencing longer term deprivation. Consequently, low rates of hardship among older people may not only reflect public and private provision of income and assets among older New Zealanders. These low rates may also reflect systematic differences in responses to needs, wants and preferences among older people. In addition to this explanation, improvements in the standard of living over the life time of older people may provide a different perspective on those items deemed necessities and luxuries.

As shown by this literature, living standards of older people will be influenced by a range of factors. Older people have less willingness to report that they can't afford items. In addition there is a survival effect whereby the most deprived are less likely to survive to very old age (Grundy & Sloggett, 2003) will influence the nature of the continuum in living standards. The actual reduction in living standards as you age, combined with a cohort effect, where earlier generations with particular views and patterns of responding regarding living standards are replaced with later cohorts suggests that living standards of older people may be particularly complex. There is growing evidence that measures of living standards are interpreted differently by older people, and as such, scores may not be reliably compared across age groups. Developing a measure of living standards that will be valid specifically for older people who have quite different circumstances and changing aspirations in retirement may address these limitations.

### **Capabilities Approach**

Over the last twenty-five years, the capabilities approach has made a major contribution to the field of welfare economics (Qizilbash, 2008). It has made a

considerable impact internationally as an alternative way of thinking about how human welfare should be conceptualised or measured. Most contemporary nations now regularly produce a Human Development Report and conduct studies of wellbeing that are informed by the concept of capability (Nussbaum, 2011). The language of capability has also found its way into studies of inequality, such as the report commissioned by the Equality and Human Rights Commission (EHRC) in the UK (Burchardt & Vizard, 2007). The capabilities approach to assessing wellbeing draws attention to the variation in the freedoms that people have to lead the kind of life they have reason to value (King & Waldegrave, 2009; Robeyns, 2005; Sen, 2000). As living standards are defined here as those aspects of wellbeing influenced by command over resources, the capabilities approach is a particularly valuable way to approach both the understanding and measurement of living standards. Living standards theory and measurement has considerable overlap with discussion of poverty, deprivation, and social exclusion. Aspects from areas have been included here as they inform understanding of the whole spectrum of living standards.

### *Living Standards are Relative*

Theorists, such as Marmot (2003, 2004) and Wilkinson (2005; Wilkinson & Pickett, 2010) who are concerned with explanations for inequalities in health, have noted that in developed societies, living standards cannot be understood in absolute terms, but are dependent upon opportunities for participation and conceptions of what is required of a participating citizen in that society. Consequently, concern with living standards is not about absolute poverty, but is about people's relative position in an unequal society (Dolan, 2007). As living standards are relative to the society in which they occur, we need to be concerned with differing access to a decent life, rather than

concern with the possession of particular resources. Similarly, Sen (2000) describes social exclusion in terms of the variation in what people are able to achieve, rather than in terms of the possession of particular material resources. Although the material resources available, both individually owned and provided by the community, will influence living standards, the ability people have to transform their material resources into opportunities to live well also varies considerably. The material resources required to live a decent life will be dependent upon the requirements of the community, and on the ability of the individual to utilize these resources and transform them into opportunities for participation. Rather than creating a list of central capabilities as the basis for fundamental political entitlements, using the capabilities approach to inform the development of living standards measurement in developed countries is about being about to make comparative, interpersonal evaluations of welfare (Nussbaum, 2011). Living standards need to be assessed in terms of variations in access to a socially established ‘good life’, rather than in describing what is required to meet the minimum standard of a decent life.

### *The Gradient of Living Standards*

Measurement of living standards differs from measurement of deprivation by assessing the full spectrum of living standards rather than identifying those in poverty (Jensen, et al. 2003). Living standards influence health and wellbeing even amongst those who are not deprived and an approach to living standards that captures the full spectrum of living standards is required. Although those with the least means in society have the poorest outcomes, people with relatively comfortable means still have poorer health and higher mortality than those with higher socioeconomic position (Marmot, 2004; Marmot Review, 2010). Health and wellbeing have been

reliably demonstrated to be related to socio-economic position on a gradient (Tobias and Yeh, 2006), rather than disadvantage occurring to a discrete category of people classed as 'poor'. Although the experience of disadvantage is greater among those on very low incomes, disadvantage in various forms is also experienced by people further up the income gradient.

There is considerable overlap between the concepts of living standards and social exclusion. This overlap can be used to re-think notions of the gradient in living standards. Instead of seeing the socially excluded as a discrete group at the bottom of the status hierarchy, it is possible to conceptualise those fully socially included as a discrete group at the very top of the hierarchy. Social exclusion is often defined as the inability to participate in the major social institutions of society and the inability to obtain the resources and services that comprise an acceptable standard of living in that society (Miller, 2007). Social exclusion is based on the idea that society is a status hierarchy, bound together by rights and responsibilities that are rooted in a broad moral order, from which it is possible to fall below a minimum standard and become excluded (Room, 1995). However, if the effects of living standards variation follow a gradient, it is not clear how one group of people can be excluded from the social and moral order in these ways. Rather than identifying the point at which some people become 'excluded', it is possible that the process of 'exclusion' also follows a gradient. People differ in power, command over resources, and social status, thus producing the gradient in health and wellbeing due to variations in living standards understood broadly. Measuring the extent to which people have access to aspects of social inclusion is a way to assess living standards. Social exclusion may operate across a continuum; most people suffer some degree of social exclusion, represented

by their lessened command over material resources (understood broadly) in comparison to those above them (Marmot Review, 2010).

Consequently, rather than seeing a small layer of people as socially excluded, it is possible to identify a small layer of people as fully included. These are people who have the highest standard of living. They are able to live as they choose, with no compromises of consequence in aspects of material wellbeing. For example, they may live frugally, but this is entirely by choice. They have access to all the material resources society has to offer available to them. When they are ill, they can purchase the best medical care available. When they are tired or infirm they can afford domestic help. They can afford enough safe and nutritious food to live a healthy life. Those below this group must make some trade-offs. The extent of these trade-offs is one way of conceptualising living standards between constraint and freedom. This also makes sense in terms of capabilities. From the capabilities approach, deprivation can be seen in terms of the challenges in participating in the life of a community (Sen 1987). Managing these trade-offs can be understood as part of the challenge of participating in the life of the community. Full participation is only available for those with the highest living standards. Degrees of living standards are determined by the social arrangements and circumstances in which we live. “People with higher socioeconomic position in society have a greater array of life chances and more opportunities to lead a flourishing life.” (Marmot Review, 2010, p.3). Using this approach, we can think about living standards as an opportunity to assess the extent to which people are able to choose the life they have reason to value.

#### *Material and Social Living Standards*

The gradient in living standards is not only about the ability to purchase better material goods, but also the social implications of increased command over resources. Living standards are socially situated and intertwined with other social processes (Dolan, 2009). Sen draws attention to the limitations in focussing on commodities and consumption as the measure of living standards. The standard of living is about the life that it is possible to lead with the resources available, rather than the possession of these resources themselves; what people can do or be (Sen, 1985). What people can and cannot do or be in society is socially as well as materially influenced. Marmot (2004) similarly describes three ways of understanding the impact of living standards on the type of life people are able to lead. The first is money and the material conditions that money makes possible. The second is status or relative position in the social hierarchy. The third is power. Although there is interest in theoretically separating out such pathways, in practice they are inextricably entwined in the types of lives that people lead. Material living standards provide the foundation on which social status is built, so that low standards of living both lead to and reflect low social status and may produce social denigration (Wilkinson, 2005). These theoretical pathways highlight that living standards are about much more than resources such as food and health care. In addition, social aspects of economic living standards are not just about social status, but about the ability to participate in the practices of the community. Consequently, it is important to consider the influence of the variety of ways that inequality in living standards impact social life.

### *Autonomy and control*

Material conditions enable a certain basic standard of living, but above this basic level, living standards are about freedom, options, and choices. Inequality in living



standards is understood in terms of varying degrees of control and participation (Wilkinson, 2005; Marmot, 2004). Thus, Marmot suggests that there is a gradient in control over one's living standards. Alkire (2005) similarly describes the objective of poverty reduction as not being primarily about the provision of particular material resources, but to expand the freedom that people have to make choices that matter to them. Sen's capability framework focuses on the importance of choice and opportunity for understanding differences in living standards. Sen (2000) describes an impoverished life as "one without the freedom to undertake important activities that a person has reason to choose" (p. 4). A capability set is the set of all possible opportunities to achieve wellbeing (Sugden, 1993). People with a large capability set typically have many choices available to them. These choices are not only in terms of purchasing power, but also access to social networks, and freedom to access a range of valuable opportunities. A high standard of living can be understood as the freedom to choose a number of different options. Although drawing attention to disparities and inequality, Sen's approach to standard of living shifts attention away from specific material conditions of life and instead focuses on how social conditions enable variations in access to valued opportunities. People who live lives of freedom are able to both shape the events to which they are exposed, and once exposed to these events, are better able to dictate the outcomes of these exposures (Courtwright, 2008). Crucially, differences in capabilities reflect disparities in the distribution of life chances.

Current approaches to living standards conceptualise circumstances as varying from hardship to comfort. However living standards could also be conceptualised as ranging from constraint to freedom. A change to focus on the substantive freedoms

that people enjoy would respect the variation in different ideas of a good life (Robeyns, 2005), in terms of ownership of consumer goods and preferences for certain types of social participation. As these items vary most at the higher end of the living standards spectrum, changing the focus of living standards measurement from the achievement of basic outcomes to freedom is likely to improve the ability of the living standards measurement to discriminate effectively at the higher end of the living standards spectrum. People obtain value from both the range of choices they have available to them, and the ability to choose (Sen, 1992). In this way, the living standards approach could assess the freedoms that people enjoy and examine the inequalities in these freedoms in conjunction with inequalities in living standards outcomes.

Highlighting choice and freedom as the crucial aspects of a high standard of living has also drawn criticism. Dean (2009) argues that such approaches privilege a certain sort of neoliberal autonomous agent that ignores the fundamentally interdependent nature of human experience and the powerful impact of socially structured arrangements on the possibilities for freedom. However, as Marmot, Allen and Goldblatt, (2010) suggest, capability may be assessed individually, but differences in the capacity to choose a life that one has reason to value reflects not individual difference, but structurally produced access to lifelong advantage or disadvantage. The capability approach evaluates the impact of social arrangements on the freedom people have to live a life they have reason to value (Alkire, 2005). As such, the extent of choice and freedom available reflect one's relative position in an unequal society.

### *The Problem of Preferences*

Living standards assessment tends to focus on the outcomes that have been achieved rather than the freedoms that people have to pursue a life they have reason to value. For example, the approach taken by consensual measures of deprivation addresses the variation in people's ability to convert resources such as income and wealth into goods that contribute to a high standard of living. As this approach asks people what they have, it already accounts for the differences in health, education, resourcefulness and social connection that may influence the process of transforming resources into living standards (Kuklys, 2010). However it does not address the diversity in people's preferences. People can prefer different outcomes, but those with lower standards of living have not only less in the way of outcomes, but also a reduced freedom to choose. Assessing the extent of people's capabilities overcomes the problem of preferences (Robeyns, 2005). In this way, living standards can be usefully conceptualised as the extent to which people have choices to pursue their preferred standard of living.

Consensual deprivation indicators measure the extent to which people have what they prefer. The use of the actual items of ownership and consumption and participation assumes uniformity of aspirations. However, assigning items as necessities is far from uniform as implied by consensual deprivation indicators (McKay, 2004). What is required is some way of assessing what people could do, regardless of what they want to do as an attempt to avoid the problem of preferences whilst still assessing freedom. The important distinction here is between enquiring about what people do have, and what they can have, and what they can do with what they have. The assessment of what people can have and do is prior to preferences; what people

actually have and do is determined both by what possibilities are available to them and their own preferences for pursuing some of these possibilities.

### *Subjective Disadvantage*

There are low levels of overlap between different measures of deprivation, subjective poverty, and income poverty (Perry, 2002). The disparities between different measures of disadvantage may be because people have little understandings of others' levels of living standards (Bradshaw & Finch, 2003). Some people feel poor, despite not qualifying as poor on income or deprivation indices, whilst others claim not to feel poor even though they would be classes as being deprived of necessities. Both subjective feelings of deprivation as well as objective incidence of deprivation are important (Desai & Shah, 1988). Using subjective assessment of living standards to distinguish the higher levels of living standards is challenging as it is unclear whether such measures assess the ways that consumption or participation lack indicates low living standards, or the variation in aspirations across the level of living standards. It is important to consider the way the subjective assessments of economic wellbeing are combined with objective assessment of things people should have and do. As Sen (1987) states "a mental attitude of satisfaction with current living conditions does not wipe out the fact of actual deprivation" (p.29). Conversely a claim of difficulty or dissatisfaction does not necessarily indicate a low standard of living. Objective assessment of standards of living often focus on achieved states such as being well nourished, having a warm house, or participating in social situations. However, assessing capabilities are similarly measurable and comparable. People are just as able to report what they can have and do as what they currently have and do.

## Summary

Living standards are not absolute but relative to the standards enjoyed by others who are members of the same society. Although material resources form a basis for living standards, in affluent countries such as New Zealand, living standards are about much more than material possession. The capability framework takes account of the relative nature of living standards and is able to incorporate these understandings of the material and social aspects of living standards. Living standards are influenced by both economic and social factors, and exist across a spectrum. In addition, living standards are concerned with levels of autonomy and control that people have over the material and social conditions of their lives. This research endeavours to use these understandings as a basis for the development of a meaningful measure of living standards that covers the whole spectrum. Such an approach recognises the diverse contexts and social relationships of those to whom such measures are applied.

## Measuring Capabilities

Although not used to develop a measure of living standards for older people, Sen's (1987, 1992) capability approach has been applied to measure quality of life for older people. In-depth interviews with older people were used to establish the domains of quality of life valued by people from a range of situations (Grewal, Lewis, Flynn, Brown, Bond & Coast, 2006). Six broad categories of factors that most participants valued in their lives were described: activities, physical surroundings, family and other relationships, health, standard of living, and spirituality (Grewal et. al., 2006). This study found standard of living was one aspect of quality of life, and this aspect brought both security and control, as well as facilitating enjoyable activities. These authors also found five distinct conceptual attributes of value to older people:

attachment, role, enjoyment, security and control. The results from this qualitative stage was then used to develop a measure of quality of life that assessed the extent to which people had the capability to achieve each of the attributes of quality of life. This approach to assessing capability may be a useful way to approach measurement of economic living standards for older people.

Living standards represent and reflect opportunities for control and social participation, and a valid measure of living standards needs to reflect differences in opportunities for control and autonomy based upon differences in economic resources. Assessment of living standards is both about the ability to choose, and material comfort. Rather than measuring what people have, a measure of living standards could acknowledge that it is nothing to do with things such as pay television or meat meals per se, but having enough material resources to choose which things you have. Similarly, Muffels, Berghman and Dirven (1992) asked whether participants had a life without money problems, and whether they lived as they would wish to do. This involves thinking about living standards as a measure of lack of autonomy about consumption and social participation as well as material lack; a lack of ability to choose conditions other than those you find yourself in, and an inability to be and do those things that provide a sense of identity.

There are inequalities in material conditions in countries like New Zealand in aspects such as poor quality housing, or inadequate nutrition which may be seen as caused by absolute poverty or lack of money. In addition to these limitations, Marmot (2004) suggests that we focus on the material conditions that “prevent participation or add to the difficulty of getting through the day” (p.74). These needs are relative to people’s

social circumstances and differences in aspirations. As well as providing for current material needs, economic resources provide a buffer against future changes which are not well measured by current conditions. Constrained living standards make it difficult for people to respond to unpredictable events, and a measure recognising this has the potential to tap both the psychological and material conditions that lack of economic resources influence. Anand and van Hees (2006) asked participants about their scope to do or achieve certain things in a range of areas of their lives to assess wellbeing from a capability perspective. Rather than inquiring about what people have achieved in terms of levels of social participation, or the quality of their physical environment, these authors asked people to assess their scope and options in these areas. This provides a way of investigating those capabilities that people have that reflect their economic wellbeing.

The types of functionings that are important include the ability to be well nourished, to be in good health, to be well sheltered, to move about freely, to have self respect and to have the respect of others, and to be able to take part in the life of the community (Kuklys, 2010; Nussbaum, 2003). Some of these will be more universal than others. For example, Sen (1992) describes elementary physical aspects such as being well-nourished, adequately clothed and sheltered, and avoiding preventable morbidity as general functionings (the specific form of which would vary from society to society). For example, preventable morbidity is a functioning worth exploring as a way to investigate the gradient in standards of living. Subsidised public health care in New Zealand makes some forms of health services free, others part charged and others only available to those able to pay for private health insurance or private health care. This variation in access to health services above the level of

basic care would serve as one way to conceptualise living standards at the higher levels for a functioning that can be viewed as nearly universal, that is, to be free of preventable morbidity. Preventable morbidity is dependent upon the level of medical technology available and linked to social behaviour (Townsend, 1985). However, it can be assumed that ill health that cannot be treated at any price by any person in that society is suffered differently from ill health that can be treated, but is not treated because the treatment is not affordable for that individual. Good health as an important functioning that depends in part upon economic opportunities to address health concerns or economic constraints upon the accessibility of health services. Similarly, concerns for security and predictability in later life demonstrate a gradient in material resources. All lives are subject to unwanted unpredictability, but the ability to weather changes in circumstances depend in part upon access to material resources. The domains included depend upon the approach taken, as the capability approach does not entail a specific and constrained set of required functionings (Robeyns, 2005).

## **Summary**

Measurement of living standards provides a useful way to capture inequalities in economic and social welfare among older people. Although measures of living standards have tended to focus on the possession of material goods, use of services, and the possibilities for social participation, evidence suggests that the standard of living in developed societies is tied less to these aspects, and more to the opportunities for control and autonomy that economic resources make possible. The development of the conceptual and methodological basis for assessing standards of living should be based on exploring the ways that economic resources contribute to



freedom rather than consumption of specific goods and services, and participation in certain types of social activities. This has particular benefit for assessing living standards among older people, as evidence suggests that current approaches to living standards measurement are less sensitive to living standards differences among older people. Older people may wish to have control over their lives, autonomy and social participation, but doing so may be less tied to the consumption of goods and services deemed necessary in living standards measures. In addition, lives are lived in a broad moral framework in which people must account for themselves as moral social actors bound up in a set of displays of appropriate social behaviour, which includes, but is not limited to possession of commodities and social participation. Older people are different from younger people in ways which mean that their accounts of moral social behaviour may be different from younger people, and the material resources required to maximise their capabilities, quite distinct from younger people.

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